

Drawing Social Security before full retirement age

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sence, is the question a woman from Cranston asked MoneyLine:

Q: You mention that, in the year in which you reach full retirement age, the

If you draw Social Security benefits before you reach full retirement age, and you continue to work, you may have to forfeit some of your benefits, depending on how much you earn. This is because of the Social Security retirement earnings test. How does it work? That, in essence, is the question a woman from Cranston asked MoneyLine:

Social Security earnings limit is \$34,440 before you must forfeit \$1 [in benefits] for every \$3 [above the earnings limit]. My birthday falls on Jan. 26. So does that mean [I will be allowed only] 26 days in that year to reach the maximum of \$34,440, while those who were born and retire in December would have the full year?

—R.S., Cranston

A: It's impossible to say with certainty how the rules apply to you. That's because, in your question to MoneyLine, you included your birth date, but not your birth year — which is an important factor.

Nevertheless, I'm hoping that the following summary will shed some light.

It explains, in a nutshell, how the rules work for people who draw Social Security benefits and continue to work.

■ Drawing Early: If you start drawing Social Security benefits early — at age 62, for instance — you can earn up to \$12,960 from work this year without having to forfeit any Social Security benefits, said Angela Thomson, who teaches retirement planning at Bryant University's financial-planning program.

For every \$2 you earn above that dollar limit, you must forfeit \$1 in benefits.

■ Full Retirement Age: Another rule applies for the year in which you reach full retirement age.

Full retirement age used to be 65 for everybody, but now it depends on when

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the Social Security Administration. For every \$3 in earnings above the limit, you must forfeit \$1 in benefits.

Keep in mind, though, that this limit applies only to the months before the month in which you reach full retirement age. After that, there's no limit.

Confused? Here's an example:

Suppose that Sal will reach his full retirement age in October. As a result, the retirement earnings test applies to him only from January through September.

Thus, for the first nine months of this calendar year (which is the year in which Sal reaches full retirement age), Sal can earn a total of up to \$34,440 from work without having to worry about forfeiting benefits.

The limit "only pertains to the months from January to the month before you attain full retirement age," Czarnowski

said in an interview at Social Security Administration regional headquarters in Boston.

■ What Happens Next: Once you reach full retirement age, you're all set; no such limit applies.

In the example above, Sal will reach full retirement age in October. As a result, starting Oct. 1, Sal may earn an unlimited amount without having to worry about forfeiting benefits.

So, as you can see from this brief discussion, it all depends on when you reach full retirement age.

A few other points:

■ The retirement earnings test described above only involves amounts you earn from work. Don't count such things as pensions, interest and dividends, Thomson said in an interview at Coastal Financial Planning, her fee-only financial-planning firm in Lincoln.

■ If you plan to keep working, and you're concerned that your earnings may result in a forfeiture of benefits, consider waiting until later to start collecting Social Security bene-

fits, Thomson said. In general, the longer you wait to start collecting, the higher your monthly benefit will be.

■ To find out how the rules apply to your particular situation, see "Social Security: Retirement Benefits" and "Social Security: How Work Affects Your Benefits."

For a free copy, visit your local Social Security office, call the agency toll-free at 1-800-772-1213, or use the agency's Web site:

www.socialsecurity.gov

■ For more details about this issue, please see the May 6 Moneyline.

Q: I have a friend who is widowed and is a retired teacher with a [government] pension. Since our school system did not have us pay into either Social Security or Medicare, we do not receive those benefits unless we earned them outside of our teaching careers or have spouses who have earned their 40 quarters. My friend went to the Social Security office and they told her she must copay for Medicare....!

thought that widows would qualify for full Medicare benefits if their spouses had paid into the system. Please advise.

—J.P., Johnston

A: Your question raises two separate issues: One involves qualifying for benefits under the federal Medicare health insurance program, the other involves paying a fee — a "premium" — for Medicare.

Some background:

In general, someone who qualifies for Social Security benefits also qualifies for coverage under Medicare.

However, even if you don't receive Social Security benefits based on your spouse's record of work and earnings, you still can get Medicare at age 65 based on your spouse's record if you are not eligible for it on your own record.

"You can get Medicare benefits based on your spouse's record of work and earnings even if the spouse has died," Czarnowski said.

As a result, your friend is eligible for coverage for Medicare Part A hospital insurance

you were born. For example, if you were born in 1941, your full retirement age is 65 and 8 months.

If you were born in 1942, your full retirement age is 65 and 10 months. For those born from 1943 through 1954, full retirement age is 66.

I was born in 1955, so I won't reach full retirement age until I turn 66 and 2 months.

For the year in which you reach age full retirement age, you can earn up to \$34,440 from work without having to forfeit benefits, said Kurt Czarnowski, regional communications director for

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and Medicare Part B doctor's office coverage.

Like most Medicare beneficiaries, she probably won't have to pay a premium for Part A, but probably will have to pay a monthly premium for Part B.

If she receives Social Security benefits, the monthly Part B premium will be withheld from her monthly check. Otherwise, the Social Security Administration will bill her quarterly, Czarnowski said.

For 2007, the standard premium for Part B is \$93.50 a month, but certain beneficiaries — those the government calls "higher income" beneficiaries — must pay more than the standard premium. (How much more depends on their income.)

By the way: Your friend will also be eligible for Medicare Part D prescription drug coverage, should she choose to have it.

JUNE
31
2007